

Republic of Nicaragua

Country strategy and programme evaluation

Executive summary

A. Background and context

1. In accordance with IFAD's Evaluation Policy (2011) and the revised version approved by the Executive Board at its 116th session in December 2015, the Independent Office of Evaluation of IFAD (IOE) conducted the first country strategy and programme evaluation (CSPE) in the Republic of Nicaragua in 2016.
2. **Scope.** The CSPE evaluated the partnership between IFAD and the Government during the period 1999 to 2016 under the country strategic opportunities programmes (COSOPs) of 2005 and 2012. The CSPE covered: (i) the performance and impact of the portfolio of IFAD-funded projects, i.e. five projects, two of which are currently ongoing; (ii) the performance and results of non-lending activities (e.g. policy dialogue, knowledge management and partnership-building); and (iii) the performance of the country strategy.
3. **Objectives.** The CSPE has two main objectives: (i) evaluate the results and performance of the country strategy and programme funded by IFAD; and (ii) present conclusions and recommendations for the future partnership between IFAD and the Government of the Republic of Nicaragua to improve the effectiveness of development and poverty reduction. The CSPE was conducted in accordance with the second edition of the IOE Evaluation Manual (2015). The CSPE findings, learnings and recommendations will be used in preparing the new COSOP scheduled for presentation in 2017.
4. **IFAD in Nicaragua.** Since 1979, IFAD has funded ten projects in Nicaragua (US\$148.2 million) for an estimated total portfolio value of US\$336.36 million, including counterpart funding from the Government and beneficiaries. National counterpart funding contributed US\$0.37 for each dollar invested by the Fund, for a total of US\$56.1 million. The programme has mobilized a total of US\$131.47 million in cofinancing from several sources: multilateral – Central American Bank for Economic Integration (BCIE), Interamerican Development Bank, World Food Programme; OPEC Fund for International Development, European Union; and bilateral – Swiss Agency for Development and Cooperation and the Government of Venezuela. Currently IFAD has a liaison officer (consultant) in Managua, accompanied by a team of two consultants providing fiduciary support. The country programme manager is outposted to the subregional office of the Latin America and the Caribbean Division located in Guatemala.¹
5. IFAD's strategy has evolved from supporting production through technological improvements to promoting rural employment and business opportunities, innovative technologies and commercialization. More recently, it has focused on inclusive models of value chain integration and adaptation to the effects of climate change. Target groups have also evolved, from individual producers – comprising those receiving food and nutrition security assistance and family farmers – to rural organizations having acquired experience with managing the value chains in which they operate.
6. Geographical targeting is evolving from a territorial approach, based in the dry zone in Pacífico, las Segovias and the centre-north region of the country, to one incorporating multiple territories and prioritizing indigenous peoples and Caribbean Afro-descendants, with support from the Agricultural, Fishery and Forestry Productive Systems Development Programme in RAAN and RAAS Indigenous Territories (NICARIBE) and the Adapting to Markets and Climate Change Project (NICADAPTA).

¹ The country programme manager was posted at IFAD headquarters in Rome until December 2016.

B. Performance of the lending portfolio

7. **Relevance.** Overall, the objectives of the five projects covered by the CSPE – oriented towards improving the inclusion of rural people in development activities, productivity in rural sector operations, and environmental, fiscal and institutional sustainability – have been relevant in terms of consistency and alignment with the policies and strategies of both the Government and IFAD.
8. With respect to strengthening businesses, value chains and consolidating associations, the concept of value chains arose at an early stage in the evaluation period and shows marked continuity to the present day. This is a unifying thread that offered and continues to offer considerable advantages to the programme.
9. We would highlight the relevance of NICARIBE as the only programme focusing on strengthening indigenous and Afro-descendant communities along the Caribbean coast, in one of the poorest and most disadvantaged regions of the country. The programme falls within the objectives of the Caribbean Coast Development Strategy and is aligned with the government policies on development of the autonomous regions and Alto Wangki-Bocay as one of the priorities of the Government's programme.
10. On the other hand, there are some design flaws – such as the initial omission of the water scarcity constraint in the Economic Development Programme for the Dry Region of Nicaragua (PRODESEC) – and a risky gamble in the original design of NICARIBE, although an appropriate adjustment was made during implementation.
11. **Effectiveness.** On the achievement of objectives by the four projects rated for effectiveness, two of them – the National Agricultural Technology and Training Programme: Technical Assistance Fund (FAT) and the Inclusion of Small-scale Producers in Value Chains and Market Access Project (PROCAVAL) – are rated satisfactory, mainly because they either reached the target population or exceeded it. PRODESEC, however, posted limited results on facilitating rural credit, and limited progress on the objective of institutional strengthening in indigenous areas along the Caribbean coast. The major result shown was strengthening of agribusinesses, value chains and rural organizations.
12. With respect to agricultural development and support for technical services, the FAT project, despite initial challenges, managed to exceed all the targets set and provided assistance to a total of 909 organized rural producers and women's groups. Thirty technologies were distributed on post-harvest management, integrated pest management, certified seed use and drip irrigation systems, among others.
13. On the strengthening of businesses and value chains and the consolidation of associations under PRODESEC, targets set for the number of beneficiary businesses and families were exceeded. In addition, 7,500 water catchment structures were supplied to more than 13,000 families. On the other hand, the percentage of rural workers finding employment opportunities was less than 40 per cent, and the project did not mobilize funding from IFAD and BCIE for the rural credit component. PRODESEC was also relatively weak on strengthening rural institutions.
14. PROCAVAL also exceeded the number of beneficiary families who were enabled to join value-chain partnerships (24,397, or 116 per cent of the objective). Also, 57,000 people were involved in the 185 cooperatives that have been benefited, exceeding the objective by 41 per cent. PROCAVAL also served as a vehicle for transferring productive bonds, similarly to FAT. The project selected mainly vulnerable, incipient or transitional cooperatives. In terms of partnership-building, the project integrated 6,140 families into business agreements for value addition and market access, including partnerships with major supermarket chains in the country such as Walmart and La Colonia.

15. The programme also invested in local road rehabilitation and maintenance. This work was done under the responsibility of the municipalities. The PROCAVAL contribution was used to repair 136 stretches of road (6 per cent more than the target) for a length of more than 1,100 km, benefiting 250,000 families.
16. On the objective of institutional strengthening in indigenous areas along the Caribbean coast, NICARIBE showed some progress, albeit limited. The implementation of this project was severely affected by an institutional transition – from the Institute for Rural Development to the new ministry (Ministry of Family, Community, Cooperative and Associative Economy [MEFCCA]) – and by problems caused by the complex institutional and political environment in the Caribbean coast area, where four levels of government – national, regional, municipal and territorial – are represented.
17. **Efficiency.** Performance on efficiency was lower than expected overall, particularly on aspects such as start-up times and budget execution for some components. The average time elapsed between approval and first disbursement was 19.8 months. Portfolio disbursements show a constant pattern: very slow at first but picking up speed later. Two of the three projects completed did not disburse 100 per cent of funds. NICARIBE has disbursed 73 per cent one year from completion, despite the difficulties associated with starting up development activities along the Caribbean coast. The average cost of portfolio management is well above IFAD standards, mainly in the case of FAT, PRODESEC and NICARIBE. On the other hand, the cost per family benefited throughout the portfolio has fluctuated, but considering the different scenarios within the projects, most of the projects are at moderately satisfactory levels. The average cost per family is slightly above US\$1,000, indicating that it is possible to carry out similar projects given prevailing conditions and economic development patterns in Nicaragua.
18. It is important to keep in mind that the institutional framework in Nicaragua's rural sector has been quite dynamic. A process of adjustment and transition encompassed government entities responsible for implementing IFAD-funded projects. This process brought about the design and modification of several public entities and relatively high turnover among technical teams, which has led to delays in starting up projects and specific activities.
19. **Impact on rural poverty.** Rural poverty impact is significant, particularly in view of the number of rural families having received services and assistance, the creation of direct and indirect employment, and increased beneficiary incomes. Bringing family farmers into value chains has brought about outstanding results in most cases. In addition, cooperative organizations have been strengthened and successfully linked to value chains through vertical integration of activities.
20. Higher incomes are reported – especially by producers associated with FAT, PRODESEC and PROCAVAL – following an improvement in productivity for some products, and linkages to markets and value chains. Gross margins on production rose between 25 per cent and 82 per cent among the enterprises supported. Food security improved, with higher crop yields for associated farmers (FAT), inclusion of specific programmes (PRODESEC, PROCAVAL) and implementation of agrifood projects (NICARIBE). Positive signs of declining child malnutrition have also been detected among users of PROCAVAL. The impact on institutions and policies is less pronounced, but several results and best practices have been adopted, both in institutions and in some national policies.
21. **Sustainability.** The sustainability of the activities adopted by producers is mixed. The ability to place family farming produce on markets and value addition processes have been positive factors. The Rural Promotion Office, deriving from FAT outcomes and subsequently supported by the Nicaraguan Institute of Agricultural Technology (INTA) – which is responsible for carrying out technical assistance activities with the rural promoters whom it trains – also contributes significantly to

making results sustainable, although the coverage of assistance is still limited. Producers who have joined value chains but do not receive ongoing technical assistance have less favourable prospects for sustainability of their enterprises and organizations. In addition, little support is provided to cooperatives for their institutional development, which has limited their potential to benefit from the opportunities offered by development projects and to contribute to their sustainability.

22. **Innovation and scaling up.** The programme has introduced major innovations and offers several examples of scaling up by other donors present in Nicaragua. We would highlight several innovations that enabled significant progress to be made on achieving the programme's strategic objectives: (i) business plans for competitive funding; (ii) the value-chain approach and differentiated instruments in response to the needs of beneficiary enterprises (PROCAVAL); (iii) construction of a large number of water catchment structures (PRODESEC); and (iv) NICARIBE as the Government's first pilot project for comprehensive rural development in the Caribbean, comprising a programme based on respect for and development of indigenous and Afro-descendant peoples within a complex geographical and political context.
23. With respect to scaling up, in addition to cofinancing, IFAD's programmes have mobilized resources from other financing sources in similar topics and areas where successful experiences from IFAD projects have improved families' income.
24. **Gender equality and women's empowerment.** The important question of gender equality and women's empowerment has evolved in a positive direction over the years within the strategies of both IFAD and the Government. COSOPs make explicit reference to job creation for women and young people, which has translated into action plans with broad participation by women. The projects in the Nicaragua portfolio have shown a commitment to reducing gender inequality and promoting women's empowerment in the rural sector, and have generated results. This is reflected in several initiatives, such as links to the food production bonus and the increase in the number of business plans with women as leaders or active members of management. These initiatives have also improved the role of rural women within their family. Despite the progress made, gender-sensitive approach initiatives are not clearly articulated in all projects. The gender-equality objective has not been sufficiently provided for, monitored or systematized within monitoring and evaluation (M&E) systems.
25. **Environmental and natural resource management.** The country programme's efforts regarding environmental issues are not very explicit, nor are they well-funded within IFAD's portfolio in Nicaragua. Only the 2012 COSOP includes improving environmental, fiscal and institutional sustainability among its strategic objectives. Nevertheless, valiant efforts have been made through the initiative and commitment shown by technical teams to introduce practices and design interventions that respect and improve the environment (FAT, PRODESEC, PROCAVAL). Some of them, such as the use of water for irrigation, involve rationalizing the use of other natural resources, such as soil, and fertility management.
26. **Adaptation to climate change.** Climate change adaptation measures were not included in the country programme for Nicaragua until 2011, during the midterm review of PROCAVAL. The review introduced environmental management as a fundamental issue, and the requirement to perform an analysis of environmental impact and mitigation measures to be adopted for each investment proposal. Of particular note are the drought response plans – water catchment structures, macro-tunnels and plantings of *Moringa oleifera* – that directly reached 38,806 people, three times the number targeted, and called for a high level of inter-institutional coordination.

27. With the NICADAPTA project, which became effective in July 2014, the programme addresses adaptation to climate change directly, with a project designed to respond to the challenges posed by projected higher average temperatures and/or lower levels of precipitation for Nicaragua's coffee and cacao crops. With technical assistance from experts working with the Adaptation for Smallholder Agriculture Programme and the Government, techniques were developed to use Moringa oleífera phytohormones to give a substantial boost to agronomic practices in situations of climate change stress. Despite some delays, NICARIBE is making efforts to use species to help mitigate the adverse effects of climate change.

C. Non-lending activities

28. **Knowledge management.** The IFAD-funded programme in Nicaragua has set up a cumulative process of knowledge management based on the interventions undertaken jointly with the Government. The experiences generated by applying COSOP agreements, project implementation, designs that apply learnings from previous experiences and the dissemination of positive results serve as the cornerstone of this knowledge base. The Government has recognized the adoption of this knowledge in building the National Programme for Rural Agro-industry, and has asked for IFAD's assistance in strengthening the development of coffee and cacao task forces. In addition, valuable knowledge and experiences have been generated through major regional activities in support of the programme. Among the activities undertaken to disseminate and exchange knowledge are publications, regional workshops and web-page postings. However, there is room for improvement in the production and dissemination of materials, products and results of M&E as well as the analysis of programme strengths and weaknesses. There is no way to ensure that technicians and development agents can access technical information or the knowledge base accumulated by IFAD.
29. Inadequate knowledge management has acted as a brake on technical support and has stood in the way of making full use of the capacity to share the experiences that IFAD accumulates through its programmes and projects in Nicaragua and elsewhere in the world, especially in Central America.
30. **Partnerships.** IFAD's strongest and closest institutional partnership in Nicaragua is with government entities, particularly the Ministry of Finance and Public Credit, the Foreign Ministry, the Secretariat of Development of the Caribbean Coast, the ministries having implemented the programme (Ministry of Agriculture and MEFCCA) and specialized institutes such as INTA. In addition, the evaluation recognizes the efforts made by IFAD to maintain relations with the donors' platform, partnerships with BCIE and the World Bank, and the incorporation of INTA into activities under some projects. The National Rural Development Programme offered IFAD an opportunity to join forces with the Government and other multilateral cooperation and financial agencies, which added value to the experiences accumulated by the IFAD-funded programme and boosted its contribution to rural development. On the other hand, partnerships with non-governmental actors such as rural organizations, academic institutes, non-governmental organizations, think tanks and private-sector entities – which the programme needs in order to be more effective – are limited, as is the programme's incorporation of experiences by regional projects funded by IFAD. This deprives other agents of the opportunity to compare approaches, methods and results to improve their own efforts and establish new partnerships.
31. **Policy dialogue.** Among non-lending activities, policy dialogue figures prominently in the 2005 and 2012 COSOPs. Progress was made during COSOP preparation by incorporating programme knowledge and experiences, as well as during the project design and implementation stages through ongoing dialogue at the operating level with sector ministries and direct interaction with the Ministry of Finance and Public Credit. Such dialogue has included frequent analytical sessions on the impact on national policy and institutional policies with a view to carrying out actions in the

field. IFAD's project experiences have a significant impact in terms of methodology, approaches to design and operating procedures. On the other hand, the potential to influence public policy has not translated into concrete contributions to policies and strategies.

32. **Grants.** Since 2006, Nicaragua has received financing under six regional grants from IFAD totalling US\$8.8 million. These are grants with regional coverage implemented by various agencies, such as UN Women and the United Nations Office for Project Services, as well as private entities. The main objectives of the grants are to: (i) build the capacity of women's organizations, and regional and national institutions responsible for agricultural issues and rural enterprises; (ii) access markets; and (iii) promote policy dialogue. The main strategies are knowledge management, partnership-building, institutional strengthening, and exchanges and systematization of experiences.
33. The experiences and results from these grants have added to the body of knowledge generated by the programme and have broad potential for introducing innovations and accelerating the development process in Nicaragua with more effective approaches, mechanisms and procedures. It is difficult to assess progress made on achieving results given the limited information available in monitoring documentation, aside from the outputs obtained and activities carried out. Also, some of the grants are still at initial stages of implementation.

D. Performance of partners

34. **IFAD.** As recognized in the last two client surveys conducted in 2013 and 2015 in Nicaragua, IFAD's performance has been satisfactory overall. IFAD has designed the strategic framework for the Nicaragua programme in two COSOPs (2005 and 2012), which are considered relevant to the country's priorities and have provided a good fit with and support for the country's development policies for the rural sector. IFAD's self-evaluation system in Nicaragua functions adequately and comprises a series of instruments that allow for monitoring and evaluating the performance of operations and strategies in the country. On the other hand, some programmes, such as FAT, PRODESEC and NICARIBE, have had difficulty building effective M&E systems. The mobilization of international cofinancing was relatively good during the period of the evaluation, although it was concentrated on a small number of sources. IFAD's presence in Nicaragua, with a consultant as liaison officer and a team of consultants, has had a positive influence on the development of the portfolio, and has improved project quality and effectiveness.
35. **Government.** The Government of Nicaragua has shown a good level of ownership of, participation in and responsibility for the IFAD-funded programme, and has collaborated actively in project design, COSOP preparation and supervision missions. The policy environment has been positive overall, and the Government has generally been open to dialogue and to the new ideas put forward by IFAD. Nonetheless, political and institutional changes have affected the implementation and effectiveness of the programme. The level of domestic cofinancing for projects during the period covered by the CSPE was low. For each United States dollar of IFAD financing, the Government of Nicaragua has contributed US\$0.37, making it the country with the fourth lowest domestic cofinancing level in the region. M&E – a responsibility shared by IFAD and the Government – has been an area of low performance for the programme, with the exception of PROCAVAL. The bottom-up feedback system based on M&E actions does not follow a systematization plan that would make it possible to learn and generate knowledge to improve processes and make changes in projects. An effort has been made to complete baseline studies and define some indicators, but without setting up an M&E system that would generate a systematic flow of information with quantitative data. Moreover, there is no plan to systematize processes that would allow for learning and generating knowledge to improve them.

E. Conclusions

36. The country programme has made significant contributions to rural development in Nicaragua. To address the rapidly changing institutional framework, IFAD has introduced flexibility into its programme and continues to provide support for the country's decisions and development plans.
37. Government entities consider IFAD, and the technical and financial support it provides, to be the most important multilateral rural development cooperation, in view of its integration, underpinnings, flexibility and strategic support for national development policies for the rural sector.
38. The IFAD country strategy is clear and consistent, with the policies laid out in national development plans. However, interventions in the field are not necessarily adapted to the more specific development plans of regions and territories, especially when it comes to plans in particular contexts, as in the case of the Caribbean region. This is an area where IFAD's contribution could be made more effective.
39. The programme has contributed to the development of strategies on access to markets, assets and value chains; strengthening of rural organizations; promotion of non-agricultural rural activities; and adaptation to climate change. However, it requires broader coverage, more formal and stable positioning within commercialization chains, access to working capital development of capacities to understand markets, and greater formality in the chains and markets where it has managed to position itself. The development of value addition models that have enabled vertical integration to reach niche markets is another noteworthy contribution.
40. Concentrating on family farming in the dry zone has established a thematic specialization and geographic targeting that, over time, have built up a certain comparative advantage for IFAD's activities in the country. IFAD has also created the capacity to work with smallholders' social organizations on production activities, integration with value chains, and horizontal and vertical integration of production.
41. NICARIBE has been innovative as the Government's first pilot project in comprehensive rural development in the Caribbean, undertaken as a programme based on respect for and development of indigenous and Afro-descendant peoples.
42. Significant impact can be attributed to portfolio implementation, particularly in view of the number of rural families having received services and assistance, the contribution made to reducing rural poverty in the areas covered, employment created directly or indirectly, and the increases in incomes reported by the direct users of these projects.
43. All of the projects call for environmental conservation actions and considerations, to seek out production systems adapted to climate change. Nevertheless, and despite some promising efforts, greater coverage of knowledge and implementation of environmental best practices are needed together with adoption of such practices on a larger scale.
44. The programme's current M&E system — an area of low performance — has limited the programme's potential to benefit from adequate feedback, and requires immediate strengthening.
45. In spite of the substantial efforts made, opportunities exist to boost the contribution of non-lending activities under the programme. In particular, significant progress has been observed on policy dialogue in rural development, which has influenced methodology and procedures but has not translated into concrete contributions to policies and strategies. The efforts devoted to knowledge management are still limited and there is no easy access to technical information

or to the knowledge base accumulated by IFAD and other cooperation agencies. Partnerships with nongovernmental actors, including the private sector, are limited.

F. Recommendations

46. **Recommendation 1: Consolidate a territorial approach in the country programme.** Since the implementation of IFAD-supported projects plays a pivotal role in the implementation of the country's rural development policies, it is crucial that the strategy become more integrated with the development processes taking place in the regions and territories where interventions are carried out. This means paying greater attention to harmonized application in national policies of the conditions, constraints, opportunities and participation of actors and their organizations in the territories where the programme is being implemented. Note must be taken of differences and unique characteristics in order to reflect them in development plans at the regional and territorial levels.
47. **Recommendation 2: Strengthen the programme's effectiveness and efficiency through avenues of work where IFAD has acquired experience and comparative advantages.** In line with the COSOP targeting strategy, continue to pursue efforts to improve efficiency and effectiveness in the geographical areas where family farming and indigenous peoples are concentrated within the dry zones of the country's centre-north, south Pacific and northwest regions, and make use of acquired experiences and the opportunity to continue improving based on successful experiences with implementing previous projects.
48. In cases where it is necessary to address government priorities in other areas where there are pockets of rural poverty or in response to innovation spaces, it is recommended that the same practices are being followed to ensure the programme's effectiveness and efficiency, including acting in tandem with other cooperation agencies that have specialized in the management of different ecosystems.
49. **Recommendation 3: Strengthen actions to provide market access to family farmers and indigenous peoples.** To ensure the inclusion of rural families and indigenous peoples, and to facilitate access to markets, carry out income-generating activities and increase job opportunities, the evaluation recommends the following, while continuing to work with rural organizations: (i) strengthen measures to promote vertical integration to add value to primary production; and (ii) expand horizontal integration measures to enable producers to access more formal markets. This would require, inter alia, establishing commercial partnerships with other rural organizations and agricultural enterprises that process commodities on a larger scale or have access to external markets.
50. **Recommendation 4: Strengthen IFAD support for the Government's climate change adaptation efforts.** To help mitigate the adverse impact of climate change on the livelihoods of rural families, care must be taken to ensure that the programme incorporates the Government's policies and strategies on adaptation to climate change. From the point of view of production, priority areas of support include water availability and management, changes in production technologies (such as integrated soil fertility management), the introduction of new species, business strategies, health issues and moving into new markets.
51. **Recommendation 5: Strengthen and improve the programme's M&E system.** As a means of periodically adjusting the country strategy to allow for changing national circumstances, policy implementation and achievement of COSOP strategic objectives, as well as to optimize project execution, it is recommended that the programme have an M&E system for IFAD-supported initiatives in Nicaragua and the achievement of strategic objectives, and establish ongoing systematization of processes for learning and knowledge generation.

52. The M&E system should be aligned with the national monitoring system and coordinated jointly with the responsible government entities. The system should be highly reliable and generate information on indicators and achievement of objectives, together with an analysis of processes to help understand less positive results. In addition, it is necessary to establish and operationalize clear, comprehensible knowledge management mechanisms that support the technical capacities of implementation teams.